ANTI-OPTION LEGISLATION—PATERNAL INTERFERENCE WITH BUSINESS.

SPEECH

OF

HON. JOHN DE WITT WARNER,

OF NEW YORK,

IN THE

HOUSE OF REPRESENTATIVES,

MONDAY, JUNE 18, 1894.

WASHINGTON.
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The House being in Committee of the Whole on the state of the Union, and having under consideration the bill (H. R. 7007) regulating the sale of certain agricultural products, defining "options" and "futures," and imposing taxes thereon and upon dealers therein—

Mr. WARNER said:

Mr. CHAIRMAN: Rising as I do by the courtesy of the gentleman from New Hampshire, who yields me his precedence but not his time, I disclaim interference with the informal arrangement by which my friend (Mr. COBB of Missouri) controls the time in opposition to this bill.

Now, sir, I want to start off by joining with my friend from Missouri (Mr. HATCH) in the straightforward appeal that he has made to this House. I beg every member of this House to read this bill through—not to read merely the four, five, or six sections which my friend from Missouri thinks will be enough for you, but to read the whole bill. Read it through from beginning to end—and it will be too much for most of you.

If we could have a civil-service examination of the Democrats in this House upon this bill and be assured that they would all so qualify themselves as to try to pass it, there would be no question but that, without a single negative vote from the other side, we would overwhelmingly defeat it by our own votes. It is because this bill is undemocratic; it is because it is paternal; it is because it is unconstitutional; it is because it is intermeddling; it is because it sums up in one bunch nearly all the sins for which we have so long cursed and labored with the heresies of our brethren on the other side of this House that I, for one, am opposed to it.

Now, sir, it is very reassuring to be told, as we are told by the report upon this bill, that the bill is the result of long and patient investigation and study, that the committee have had it under consideration since early in the session. Why, Mr. Chairman, that statement is altogether too modest. Since the time when it was introduced as a Republican measure in the Fifty-first Congress, right down to the present time, long after it has been repudiated by gentlemen who first presented it, I suppose scarcely a day or an hour has passed but that my friend from Missouri has been giving this measure careful consideration, and if there is anything

which proves that, it is the extent to which, by giving it consideration, he has changed his mind since he last explained this measure to the House.

On a survey of his work no one will question the further suggestion of the report that—

The opposition to this bill will be different from that which had to be met in the bill which was before the last Congress. Every argument urged against that measure is met in this.

In fact, there is scarcely a shred left of the bill, which, two years ago, was pressed as perfect, and there is scarcely a single argument which could have been urged in support of the former measure which the bill as now presented does not repudiate.

Two years ago my friend from Missouri was breathing fire against all dealers in produce for future delivery, and was willing for the time being to throttle his Democratic tendencies, and adopt the most paternal methods to stamp them out. He proposed to make everybody who dared touch the accursed thing first pay a license of $1,000, and then proposed to fine him at the rate of 5 cents for every pound of cotton, hops, pork, etc., and 20 cents a bushel for all produce sold by that measure, and to make him give a bond of $40,000 to keep his books so that the Government could always "make the penalty fit the crime." Such was his position after the two years of consideration he had then been enabled to give the matter. Two years of further study have ameliorated his mental condition. He is now careful to explain that "legitimate speculation is the very heart blood of commerce;" and is as vociferous in defending contracts for future delivery as he was two years since in their condemnation. Two years ago the result of his study had convinced him that "most members of the exchanges deal in 'puts and calls,'" which he rightly brands as gambling of the worst sort; but now he tells us that "but a small percentage of the menbership of any board of trade in the United States, save perhaps the Cotton Exchange of New Orleans, and the Cotton Exchange of New York, deal in 'speculative gambling' contracts."

If confession is good for the soul, and we can judge of his feelings by the wholesale renunciation of the views entertained by him two years ago which he has made, my friend from Missouri is doubtless the happiest man in this House. If this is his experience, as I have no doubt it is, I know he will thank me for the suggestion that he ask unanimous consent that the pending measure be referred back to him for further consideration. For, sir, if we are to judge of the future by the past the result would most certainly be that, by this date two years hence, his patient investigation and study would have obliterated the bill entirely, and my friend from Missouri would lead the Democrats of this House in opposition to any such scheme as this for extension of Federal powers, for paternal interference with the details of legitimate business, and for obstruction to that part of our commerce, the free transaction of which is most essential to the great agricutural interests of our country.

FLOUR.

I am sorry, however, not to be able unreservedly to congratulate my friend upon the progress he has made. As his bill was introduced, it included flour among the articles over which his watchful care was to be exercised. I understand that this article was omitted from the bill as finally reported by him upon information that this article was always sold by special brand of the miller who ground it. Personally I have not been able to understand why every facility should be given the miller to corner the wheat market, at the same time that the system of sales for the future delivery of flour was encouraged so as to keep anybody from cornering him. This,

however, might be explained by the fact that the corresponding bill in the Senate, known as the Washburn bill, was composed under circumstances which did not exclude the milling interests from close consultation.

No such consideration, however, would commend such a course to my friend from Missouri, who is certainly more of a farmer than he is a miller, and I know he will appreciate my defense of his motives, at least, when I assure him that he is mistaken in his assumption regarding flour, and indeed that he must have been "stuffed" by wicked men with intent to lead him astray. It is true that the Washburns, and Pillsburys, and other great Northwest millers, do have their special brands, and, to a large extent, do actually manufacture the flour they permit to be sold under those brands. It is, however, equally true that our great exporters and jobbers, through whom is carried on our great foreign trade, are accustomed to make sales for future delivery, either by contracts providing that the flours delivered shall be equal to samples, or by brands of their own which have no earthly relation to any mill or miller, but which represent simply a standard grade which they carefully maintain, and to fill contracts for which they purchase flour indifferently from any source whatever that furnishes it in sufficiently good and uniform grades. In other words, while it is true that but a small proportion of the flour marketed is marketed by sample, it is also true that the practice of selling futures in flour by brands which are merely guaranties of quality, and which are filled by purchases afterward made, is so general as utterly to vitiate the gentleman's supposition. I have no question as to the sincerity of my friend from Missouri. If, however, one may judge from such a particular as this, it is evident that his opinion has been swerved by some one who was about a thousand times as much of a miller as is my friend from Missouri a farmer. [Laughter.]

I have such respect, sir, for the position of my friend, and I know that the House will rely so largely upon his judgment, that before I take up the special provisions of his pending bill I venture hastily to sketch his attitude from another standpoint. How radically different is his present bill from that of two years ago I have inadequately suggested. But, sir, when we come to compare the report that he made then with the one which accompanies the bill now under discussion, it is as surprising as pleasing to find that his present statement of the several objects had in view is almost word for word that with which he prefaced the one we were not permitted to discuss in the Fifty-second Congress. How valuable, however, is this statement, which is the backbone of the recent report, may be inferred from the fact that two years since it prefaced with equal grace a most full and contradictory explanation of a totally different bill.

THE CHARACTER OF THIS BILL.

Taking up the bill reported by the committee—the ruins of the really imposing structure presented by it a few years ago—I beg, sir, to call attention to a defect of that old bill which this new one has preserved and even exaggerated. In the first section is carefully defined what among business men is known as "privilege" dealing—gambling in "puts and calls," "straddles and spreads." I do not suppose that there is any one in the United States that will defend these. The very ones who engaged in them would be most prompt to admit that they are gambling, pure and simple.

Mr. CANNON of Illinois. I would like to ask a single question. My friend is talking about "options," "puts," and "calls" and other transactions that I do not know much about. But I find that in section 5, page 4, of this bill there is a provision—and I am inclined

to think it is a very valuable one, because I do not know exactly what it means [laughter]—that a "contango" agreement shall be in writing. I think that must be something very useful.

Mr. WARNER. I am coming to that section; and I am going to demonstrate that my friend from Missouri does not know—I will not say he does not know what "contango" means—but that he does not know what some other words there mean. It must be remembered, however, first, that these gambling transactions have nothing whatever to do with either the real produce or its price. They are simple bets as to what, at some definite time in the future, will be the price or variations in price of the article referred to. They have no more to do with actual supply and demand, which is the real criterion of price, than do the bets upon a horse race add to or take from the speed with which either of the horses completes his course. There is, however, no defense for them.

The only questions in this regard are, whether the evil is one which may properly be attacked by law, and, second, whether it is one the dealing with which comes within the legal powers of Congress.

I had expected, Mr. Chairman, to make somewhat of an argument on these questions, but from a Democratic standpoint the objects of this bill are so scandalous, and this was so well illustrated by my friend himself in his discussion of them, that he leaves me but little to do. He admits that his object is to enact by Federal statute a new provision of criminal law. He tells you that he prefers the proposition which was pending in the other House, which directly undertook that; and he then admits that such a provision would be unconstitutional, and that he has therefore gone at the business in this indirect and, if I may say it, undemocratic sort of way in order to reach the same result. If any Democrat on this committee will weigh that admission, it will be just as impossible for him to vote for this bill, with that intent confessed by its author, as it would be for him to vote for a bill assuming jurisdiction of petty larceny in the States; and it is not a defense of gambling any more than it would be a defense of petty larceny to object to this unconstitutional and paternal attempt to interfere with and regulate by Federal enactment the local affairs of the several States.

If, on the other hand, the gentleman tells me that I ought to regard it as a sufficient excuse for the transaction, that he expects to get revenue from this measure, I ask him: "Why don't you get down and sweep the other gutters of life in order to raise revenue?" Why does the gentleman omit so many other sources of crime and depravity from which he might get revenue for the Government of the United States by traffic in human vice, human misery, and human weakness? If, Mr. Chairman, this had been suggested by a Republican, as it was four years ago, we would all have denounced it as a most immoral and scandalous proposition. If it had been proposed by a pagan we would have used it as an argument for standing by our foreign missionaries in their attempt to carry enlightenment to the far-off corners of the world, where poor degraded wretches were brought up with such sentiments and surroundings. But when it comes to a Christian Democrat [laughter], and he tells us that in order to interfere with the local and criminal jurisdiction of the States, as he admits we can not constitutionally do, he will find an excuse by levying a toll on crime; I can only urge that, remembering what the gentleman himself has admitted, you determine that question for yourselves when you come to vote on this proposition.

REAL MEANING OF "OPTIONS."

In the second section are properly defined the contracts of agreement in general use in many lines of business and which have

come to be known as "futures." Right here it may be proper, in view especially of the way in which the draftsman of this bill has used the term "option" in the first section, and of the extent to which that word is frequently used to designate "futures" as such, to explain the real meaning of that term. For it should be understood that the numerous references to "options" which may be seen in our commercial papers do not refer to the gambling "privileges" described in the first section, but in general to the legitimate transactions known as "futures." One of the uses of futures is this: Millers, factory owners, contractors, and others, knowing far in advance that they will require large and definite quantities of raw supplies, find it to their advantage to contract far in advance for the delivery of those supplies at fixed prices, and thus to lessen the risk of any attempt to corner the actual wheat, cotton, or other product before they need it for use. And originally contracts were drawn, for example, providing for cotton to be delivered upon a definite date in a certain month in the future. It was soon found, however, that in the ordinary course of business the exact dates at which the more important contracts became due were generally known, and corners were engineered by those wishing to take advantage of the situation, which could be successful in their ends—that of fleecing consumer on the one hand and producer on the other—provided the available stock could be carried for a few days only, including the date at which the contract fell due.

In order to avoid this trouble, and to put it out of the power of speculators to corner the market unless they were competent to carry for a considerable time all available stocks, the following plan was devised: Contracts for future delivery were so drawn as to give to the seller the option of choosing, within a certain month named, the day upon which he would deliver the produce bought. From that time on, under such contracts, with ordinary caution on the part of the seller it was practically impossible to corner any given product except at a cost and risk which of themselves were a guaranty against the attempt. A January option, therefore, does not mean a gambling privilege, according to which buyer or seller has the option to carry out or to repudiate his contract; but it means a definite sale to a purchaser, who expects to receive the produce, by a seller, who is bound to deliver it, to whom, however, in order to take away opportunities for cornering the market by others, is given the option of choosing the particular day in the month named upon which he will deliver the goods sold. An "option," therefore, as generally referred to, is so far from being a gambling privilege that it is rather a special form of a contract for future delivery devised to reduce the gambling risk in legitimate business.

EXTENT OF INTERFERENCE PROPOSED.

This bill, sir, may be summarized as based upon two propositions —both grossly mistaken ones. The first one is that the administrative features are reasonable and tolerable, either from a business or political standpoint. On this point I can characterize, in no other way so completely as by quoting extracts therefrom, the utterly ruinous and paternal interference with the marketing of our principal food products in which it is proposed our Government shall engage.

SEC. 3. That all "options" and "futures" contracts and all transfers and assignments thereof shall be in writing and signed in duplicate by the parties thereto, and every "options" contract shall state in explicit terms the time when the right or privilege of delivering, or the right of demanding the delivery of the article or articles therein named, shall expire; and every "futures" contract shall state in explicit terms the quantity and the day upon which, or the last day of the

period within which, the article or articles therein contracted to be sold shall be delivered; and in each such contract the party so contracting, or the party for whom he acts as agent, broker, or employee in making such contract to sell and deliver, shall state explicitly whether he is or is not, as the case may be, the owner of the article or articles so contracted to be sold and delivered, or has or has not, as the case may be, theretofore acquired it or them by purchase, or is or is not, as the case may be, then entitled to the right of the future possession of such article or articles under and by virtue of a contract for the sale and future delivery thereof previously made by the owner thereof; and any such contract not including such statements and not so made and signed shall be unlawful, but nothing contained in this section shall be construed to relieve any person or dealer in "options" or "futures" from the penalties and taxes provided for by this act.

SEC. 4. That whenever any "options" or "futures" contract shall be terminated by the absolute sale and actual delivery of the raw or unmanufactured cotton, hops, wheat, corn, oats, rye, barley, pork, lard, bacon, dry-salted meats, or pickled meat embraced in or covered by such contract the person contracting to sell and deliver shall execute a bill of sale in which shall be specified the number of pounds of raw or unmanufactured cotton, hops, pork, lard, bacon, dry-salted meat, and pickled meat, the number of bushels of wheat, corn, oats, rye, and barley, delivered, together with the name, title, or designation, and place of business of the custodian, and the serial numbers and dates of the acceptances, certificates, receipts, freight or way bills, or other vouchers representing the quantity of each article sold and delivered.

SEC. 5. That whenever any "options" or "futures" contract shall be terminated otherwise than by absolute sale and actual delivery of the raw or unmanufactured cotton, hops, wheat, corn, oats, rye, barley, pork, lard, bacon, dry-salted meat, and pickled meat embraced in or covered by such contract, or when such termination shall be delayed or postponed beyond the time designated by the contract, the cancellation, clearance, settlement, acquittance, contango, backwardation, privilege, waiver, ringing-out, or other agreement or arrangement by which such contract shall be terminated otherwise than by absolute sale and actual delivery of the article or articles embraced therein or covered thereby, or such termination shall be delayed, postponed, or obviated, shall be executed in writing and be signed in duplicate by the parties thereto.

SEC. 6. That special taxes are imposed as follows: Dealers in "options" or "futures" shall pay twelve dollars. Every person who shall, in his own behalf or as agent, broker, or employee of another, as vender deal in "options" or make, enter into, transfer, or assign any "options" contract, or shall by letter, telegram, or other communication sent from the United States to any foreign country, or by an agent, broker, employee, or partner, resident in any foreign country, make, enter into, transfer, or assign, or cause to be made, entered into, transferred, or assigned, any "options" contract entered into or terminated within the United States, shall be deemed a dealer in "options;" and every person who shall, in his own behalf or as agent, broker, or employee of another as vender deal in "futures," or make, enter into, transfer, or assign any "futures" contract, or shall by letter, telegram, or other communication sent from the United States to any foreign country, or by an agent, broker, employee, or partner, resident in any foreign country, make, enter into, transfer, or assign, or cause to be made, entered into, transferred, or assigned any "futures" contract, entered into or terminated within the United States, shall be deemed a dealer in "futures."

SEC. 7. That the original and the duplicate of every "options" contract and of every "futures" contract shall at the time of its execution have affixed thereto internal-revenue adhesive stamps representing taxes as follows, namely: For every ten thousand pounds or fractional part thereof of cotton, hops, pork, lard, bacon, dry salted meat, and pickled meat, and for every one thousand bushels or fractional part thereof of wheat, corn, oats, rye, and barley embraced in or covered by such contract, one cent. To each and every written or printed instrument and to the duplicate thereof, evidencing any tranfer or assignmennt of any "options" or "futures" contract, whether such transfer be by indorsement upon said contract and the duplicate thereof, or by separate written instrument, there shall, at the time such transfer or assignment is made, be affixed internal revenue adhesive stamps representing taxes as follows: For every ten thousand pounds of raw unmanufactured cotton, hops, pork, lard, bacon, dry salted meat, and pickled meat, and for every one thousand bushels of wheat, corn, rye, oats, and barley embraced in or covered by the contract, transferred or assigned, one cent. Every bill of sale executed at termination of any "options" or "futures" contract shall have affixed thereto an internal-revenue adhesive stamp of the denomination of two cents.

To the original and duplicate of every cancellation, clearance, settlement, acquittance, contango, backwardation, privilege, waiver, ringing-out or other agreement by which the "options" or "futures" shall be terminated otherwise than by an absolute sale and actual delivery of the articles embraced in or covered by such contract, or by which such termination is or shall be delayed, postponed, or obviated, shall be affixed internal-revenue adhesive stamps representing taxes as follows: For every pound of raw or unmanufactured cotton, hops, pork, lard, bacon, dry salted meat, and pickled meat embraced in or covered by such con-

tract, one cent; for every bushel of wheat, three cents, and for every bushel of corn, oats, rye, and barley embraced in or covered by such contract, two cents. Every "options" contract that shall expire by limitation without an absolute sale and actual delivery of the article or articles embraced in or covered by such contract, shall, at the time designated by such contract for its expiration, have affixed to the copy thereof, which shall be retained by the vendor therein named, internal-revenue adhesive stamps representing taxes as follows: For every pound of raw or unmanufactured cotton, hops, pork, lard, dry salted meat and pickled meat embraced in or covered by such contract, one cent; for every bushel of wheat, three cents, and for every bushel of corn, oats, rye, and barley covered by such contract, two cents.

SEC. 8. That every person engaged in or intending to be engaged in the business of a dealer in "options" or of a dealer in "futures" shall, before commencing or continuing such business, give notice in writing, subscribed by him, to the collector of internal revenue for the district wherein such business is to be carried on, stating his name, residence, and if a company or firm the name and residence of each member thereof, the name and residence of every person interested or to be interested in such business, the principal place where such business is to be carried on, and whether of dealing in "options" or "futures," or both, and if such business is to be carried on in a city, the residence and place of business shall be designated by the name of the street and number of the building; and if the whole building is not occupied, the number or other designation of each story and the number and other designation of each room so occupied or to be occupied. Every person intending to commence or continue the business of a dealer in "options" or of a dealer in "futures" shall, on filing with the collector of internal revenue his notice of such intention and before proceeding with such business, and on the first secular day of July of each succeeding year, execute a bond in the form prescribed by the Commissioner of Internal Revenue and approved by the Secretary of the Treasury, conditioned that he shall faithfully comply with all the provisions of law relating to the duties and business of a dealer in "options" or a dealer in "futures," as the case may be, and shall pay all taxes due and all penalties incurred or fines imposed on him for a violation of any of said provisions. Said bond shall be, with at least two sureties, approved by the collector of the district, and for a penal sum of three thousand dollars. Nothing in this act shall be construed to require more than one permit to or bond from any person dealing in "futures" contracts, nor to prevent a change of the principal place of business of such dealer in "futures" by first giving notice thereof to said collector.

SEC. 9. That it shall be the duty of every dealer in "options" or "futures" to keep at his said principal place of business a book in which shall be recorded, on the day of its execution, the date of each and every "options" or "futures" contract made, entered into, transferred, or assigned by such dealer, in his own behalf or in behalf of another or others, also the name and residence and place of business of the parties to the contract or to whom transferred or assigned, the kind and quantity of the article or articles embraced in or covered by each such contract, the day when or the last day of the time within which the right or privilege of delivering or of demanding the delivery, as the case may be, of such article or articles as are embraced in or covered by any "options" contract shall expire, and the day when or the designated period within which delivery shall be made of the article or articles embraced in or covered by any "futures" contract, and said dealers shall enter in such book such other particulars as the Commissioner of Internal-Revenue, with the approval of the Secretary of the Treasury, shall prescribe. All contracts executed during the fiscal year shall be numbered consecutively, commencing with number one for the first contract executed on or after the first day of July, and no two or more contracts made during the same fiscal year by the same dealer shall have the same whenever any "options" or "futures" contract shall be terminated by the sale and delivery of the article or articles embraced in or covered by such contract, the bill of sale shall be numbered to correspond with the number of the contract and recorded in the book with name, title, or designation and place of business of the custodian and serial numbers and dates of the acceptances, certificates, receipts, freight or waybills, or other vouchers representing the quantity of each article so sold and delivered. Whenever any "options" or "futures" shall be terminated otherwise than by an absolute sale and an actual delivery of the article or articles embraced in or covered by the contract, or the termination thereof shall be delayed or postponed beyond the time fixed by the contract the cancellation, clearance, settlement, acquittance, contango, backwardation, privilege, waiver, ringing out, or other agreement or arrangement by which the "options" or "futures" is so terminated, delayed, postponed, or obviated, shall be numbered to correspond with the number of the contract and recorded in the book as in the case of a bill of sale where the termination is by absolute sale and actual delivery. Such book shall at all times be kept in the dealer's place of business and shall be subject to inspection by the collector or deputy collector of internal revenue or by any duly authorized internal-revenue agent who may make memoranda or transcripts therefrom. And such further particulars shall be entered in such book as may be prescribed by the Commissioner of Internal Revenue and approved by the Secretary of the Treasury. It

shall be the duty of every person required to keep the book provided for in this section to make a return monthly to the collector of internal revenue for the district in which any "options" or "futures" contracts required to be entered into such book shall be made, transferred, or assigned. The first return shall be made on the first secular day of the month next succeeding the date of commencing business, or within five days thereafter, and returns shall be made on the first secular day of every subsequent month or within five days thereafter. Each return shall be under oath and in such form as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, and shall show each "options" and "futures" contract made or entered into or transferred or assigned by such person in his own behalf or in behalf of others during the preceding month, together with all the particulars relative to such contract as are shown by the record, or which may be required by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury.

In the quotations I have just given I have noted only those provisions which the vender himself is obliged to carry out. Other sections provide for a most complex and obtrusive system of Government espionage and a highly specialized system of penalties and criminal law to enforce the act, so that to the pestering of individuals it is proposed to add the multiplication of Federal officers and the elaboration of criminal law appropriately devised as a part of the new system of interference and espionage proposed by the bill.

There is no parallel in the world for such officious intermeddling, except in some of the tyrannical governments of Europe, where certain vices, being under police supervision, are looked after as carefully as my friend from Missouri proposes to look after the marketing of American produce.

Mr. CANNON of Illinois. Has the gentleman any idea how many thousand internal-revenue deputies would be required?

Mr. WARNER. The bill if enacted must fall by its own weight. No human being can do business if there are enough deputies about his door to keep track of what he is doing under this bill, and no self-respecting human being will do business with the prospect of such espionage as is here contemplated.

A great many years ago it was recognized that although there might be tares in the wheat field, yet it would be better to leave them grow together until the harvest. But my friend from Missouri [Mr. Hatch] introduces a new principle. He says: "No, I do not believe in pulling up the tares; that may hurt the wheat. All I propose to to do is to pinch each blade of wheat as it comes up, so that if to my enlightened thumb it feels like a tare I can put it down in my books"; and it would be just as possible to make a success of wheat-raising under those conditions as to attempt to do business in the marketing of American produce under the conditions prescribed by my friend from Missouri [Mr. Hatch]. Mark you, the gentleman in his present report explains that he is not against legitimate speculation. He explains that only a few of the members upon any of the exchanges—except the two wicked ones, the cotton exchanges of New York and New Orleans—do much in this line. Mind you that, therefore, in order to meet what he himself not merely confesses but demonstrates is an infinitesimal proportion of the business of this country, he proposes to stick his intermeddling hands into every legitimate transaction.

"RINGING OUT."

It is perhaps to the credit of my friend from Missouri that the provisions of his bill demonstrate his unfamiliarity with such legislation. It would be easy to take up section after section and show its absurdity. A single instance must, however, suffice here. By section 7 a penalty is provided for any "ringing out" of contracts for future delivery.

What my friend from Missouri fails to appreciate is that the "evasion" which he proposes to punish so severely is not an evasion

of fulfilment of contracts which have been made, but simply an avoidance of unnecessary trouble and expense in carrying them out.

The process of ringing out is not a substitute for actually fulfilling a contract, but simply an expedient to avoid extra expense and trouble in fulfilling it. The "ringing out" is exclusively an arrangement by which brokers in providing for their numerous customers do so at the least expense to themselves. For example, supposing that my friend from Missouri should to-day order me at New York to purchase him, for shipment to Europe in November, a boat load—or 8,000 bushels—of wheat at $1 per bushel, and supposing that two weeks afterward my friend from Georgia should instruct me to sell for him at 98 cents per bushel a boat load of wheat deliverable at New York in November. Having placed both these contracts on change, it is not improbable that before their maturity they may have both gotten into the hands of a single broker who, discovering that he is obliged to receive from me a boat load of wheat in November and also deliver to me the same amount in the same month, notifies me of the fact and suggests that he is ready to receive the difference in price, and to consider the contracts as "rung out," that is to say, that together they have made a circle or ring, and met and canceled each other. In other words, "ringing out" is simply an adjustment between brokers to save the cost of transferring produce back and forth. The customer has nothing whatever to do with it. The man who bought the grain will receive it in November as he stipulated for. The man who sold the grain will have to deliver it as he stipulated for. The only difference is that, instead of each broker, through whose hands the contracts have passed, being compelled to attend to both the receipt and delivery of the grain, it has been arranged between them that there should be but one receipt and delivery, and that—since these can be most easily attended to by the one who has both to receive and deliver the same amount—that all others interested shall be excused from bothering themselves with it. The result is simply so much less trouble in handling grain and so much less of cost to come between the producer and consumer. There is nothing of gambling about it at all, and it is simply one of the methods by which business is facilitated.

In practice, among the hundreds and even thousands of members associated upon an exchange, these opportunities for cancellation naturally occur as a result of a series of contracts rather than of a simple interchange between two brokers. In every great exchange firm there is therefore some clerk whose business it is to keep track of all their contracts, both bought and sold, and, whenever possible to do so, to obviate expense of mutual receipt and delivery by interchanging against each other corresponding contracts for purchase and sale—the saving of time and expense being simply enormous and absolutely essential to enable expense of handling produce contract to be kept at a point sufficiently low to make them attractive for temporary investments. It is true that upon these cancellations differences are paid in cash. This again, however, is neither gambling nor has it anything to do with the purchaser or seller. It is simply a case where a broker, by the rules of his exchange responsible for his customers, finding that in dealings with another broker he is obligated to receive money for the credit of a customer, and to pay out money for the account of another customer, simply sends or receives the balances between the two amounts.

A MEMBER. How about "contango"?

Mr. WARNER. I will say that "contango" is not particularly wicked. It is not, however, the same transaction as "ringing out." It is a way temporarily to postpone settlement.

Mr. WALKER. It is the same kind of a transaction.

Mr. WARNER. It is, in a way, similar, but not the identical transaction involved in "ringing out."

Mr. PATTERSON. What is that transaction?

Mr. WARNER. It is an arrangement for postponing delivery of goods purchased. I have heard it most frequently used with reference to the public securities of different countries. I do not see any reason why it should not apply to produce, but it is not generally used in that way; at least I have not frequently so heard it.

Mr. HALL of Missouri. If I understand you the ringing-out process is simply a clearing-house process.

Mr. WARNER. That is all. The whole business is simply and purely one of clearing-house methods adjusted to the complex rerelation of contracts involving produce as well as money; the reasons for the methods adopted, the economies in their use, and the facilities given to the advantage of all concerned, and the utter lack of effect except to reduce the expense of doing his business upon the contractor or contractee being precisely the same as in the case of a clearing-house in its relations to banks and their individual depositors. A bank depositor draws a check addressed to his bank requiring the payment to a certain individual of a certain amount of money. This particular thing is, however, one of the most rare of occurrences. What the person does is to deposit that check in his bank, requesting its payment to such bank. What that bank does, however, is not to present that check, but to turn it into the clearing-house; and what the clearing-house does is not to present the check, but to add it with hundreds of other checks against the bank in question and offset it by the equally numerous credits in favor of the bank in question, and as a result receive from one or another of its members, and pay to one or another of its members, a balance, infinitesimal as compared with the total amount of its transactions, and having no special reference to anyone of them—this without in the slightest degree affecting the relations of any of its associated banks with their customers, whose accounts are kept in precisely the form that would be the case were the primitive method of settling each check by payment in cash at the bank upon which it was drawn in actual vogue.

I was about to say that it would be just as sensible to fine every drawer of a check for permitting it to be paid through the clearing-house. This, however, Mr. Chairman, would be an understatement, for the check involves money transactions alone. The multitudinous contracts thus "cleared" by the "ringing-out" process involves each the handling of enormous bulks of stored produce as well as the handling of the money involved. And, therefore, when my friend from Missouri proposes a penalty for the ringing-out of contracts this is much worse than if he should forbid any check to be settled otherwise than by separate payment in cash at the teller's window, as is the handling of a boat load of wheat more onerous than the carrying about of a check. The utter ignorance, not merely of the conditions with which he is dealing, but of the most common expedients of permitting business to be done in a civilized way, is the only excuse which my friend can urge. If he were to be charged with the intent to accomplish what his proposition would actually do if carried out, he would become an outlaw to be abated as an Apache or a dynamiter. Of course, I appreciate that he intends no such attack upon commerce. Such, however, is practically the attitude in which this bill places him, and the consideration to which, if he is to be taken seriously, the commercial world must consider him entitled.

THEORY THAT "FUTURES" ARE WRONG.

The second theory on which this bill is based is that deals for future delivery are immoral, and hence that any interference with them is presumably a good thing for the farmer and probably for every one else.

THE OBJECT OF "FUTURES,"

As to this, I believe the real trouble to be that our friends are either unacquainted with the nature of the transactions with which they propose to deal, or on the other hand, forgetful of the conditions under which commerce and business have developed. I am led to these conclusions by the suggestion still frequently made, though not as often as it was two years ago, as in the mind of the speaker a conclusive answer to any defense of the contracts called futures, viz: That they are plainly an attempt on the part of a person to sell what he does not own. That is an entirely correct description, Mr. Chairman, one with which I shall not for a moment quarrel; and it is just because such is their nature that the business of dealing in futures is a natural and beneficent one, and will become more extended and more beneficent as our civilization develops and the processes of production and distribution become perfected as to one after another of our great staples. To the extent that dealings in futures are substituted for what is known as spot transactions is the gambling element eliminated from the business involved, the effect being in each case to relieve the one who participates in each stage of the transactions involved from all speculative risks except that particular one which, it being his special busness to estimate, is for him legitimate and for any one else would be illegitimate.

Let me explain. If a jackal wants a shelter, he goes into a convenient cave. If a ground hog wants one, with somewhat more of intelligence directed to that particular object, he digs him a hole. If a savage feels similar need, with still advancing use of intellect, he puts together, or makes his wife do so, the materials of which his rude hut is constructed; or if he is a great chief and wants a bigger one he causes to be brought together the material, and when he has gotten them they are fashioned and put together as he may order. If, however, a civilized man wants a house. about the last thing he does—or about the first thing he is sorry for if he does do it—is to purchase the lumber, the stone, and the brick, and then hire the men to put up the house himself. The reason is plain. In direct proportion as we take advantage of civilized condition we have to deal with a greater and greater proportion of matters as to which no man can be an expert in more than one, and the man who undertakes to be his own architect and carpenter and to serve himself as contractor in every branch required for housebuilding is simply taking in each case a gambling risk about which he can know little or nothing. What he does do, however, is to go to a builder whose special business it is to arrange for the erection of houses in that locality and he contracts with that builder for his house—in other words, he buys a future in houses, deliverable six months, or a year, or two years hence.

Mr. PENCE. And what if he does not deliver the house?

Mr. WARNER. If for any reason he does not want the house, or he wants a different or better house, or if for any reason the two parties concerned come to a different conclusion than they at first contemplated, this beneficent Government—up to date—allows them to attend to their own business.

It is not assumed—it generally is not the fact—that the building contractor has a single foot of the timber, a single one of the stones, a single thousand of the brick, or, indeed, any of the material that he thus sells in the shape of a future in houses.

No one, however, would claim that this is a gambling transaction; every one, on the contrary, would appreciate that, so far from a gambling transaction, it was a legitimate process by which what would have been a speculative risk in the man who wanted the house, but who knew nothing about building, was transferred, to his great advantage, to a contractor who could legitimately assume the risk in question, for the very good reason that it was his particular business, in which he had carefully trained himself, so as to make the contract for him a legitimate business transaction. This, however, is only the first step. The contractor himself is not equally an expert in carpentry and mason work, in plumbing and gas-fitting, and decoration, exterior and interior. He, in turn, having made a contract for the future delivery of a house, calls in several tradesmen, each most conversant with the particular branch with which he is to deal, and the general contractor buys of one a future in masonry, of another a future in carpenter work, of another a future in plumbing and gas-fitting, of another a future in painting. And no one knows better than himself that no one of these has on hand a single item of the work he thus contracts to deliver. But, just as the owner recognizes the contractor as a man who can undertake the general risk for him much more cheaply and much more legitimately than he could undertake it for himself, just so the contractor recognizes each one of these several tradesmen as one who can undertake in his specialty much more cheaply and much more legitimately than can he the special risk involved.

Not merely the articles mentioned in this bill, but iron, copper, tin, cotton goods, butter, cheese, coffee, freights, and exchange are regularly contracted for long in advance by those who are thus enabled to make definite provisions for the particular industry in which they are engaged. Lines of cloths are sold in the same way long before their manufacture. Building materials are thus contracted for long before the timber is hewn or the clay dug. That the gentlemen who are pressing this bill have not heard of these futures and do not provide against them simply shows how little are they acquainted with the universal tendency of civilized business. That they have selected the cases which are best known and most universally practiced simply shows to me, sir, that in their misinformation they have so drawn their bill as to apply it to the very cases in which, on account of the market being universal and the information as to the supply and demand being most easily and most promptly secured, the possible good to be done by such a bill, even upon their own assumption, is the least, and the certain interference in legitimate business the greatest possible. Indeed, the future system is being gradually extended to cover every product in regard to which practical methods of grading and preservation are devised; and in every quarter where this has not already been accomplished the ingenuity of intelligent producers and dealers is exercised toward the solution of the problem. It is the universal experience that in proportion as the grading of a product can be perfected and the dealing in it systematized is the economy with which it can be handled between its production and ultimate use to the equal advantage of the one who produces it and the one by whom it is finally consumed.

ILLUSTRATION FROM COTTON TRADE.

Now take the case of the cotton manufacture. I can not but feel that the theory upon which this bill is drawn is that the cotton manufacturer, when he finds he wants cotton, takes a cart and goes around and buys it of the planter, takes it to his mill, weaves it into cloth, and then takes the cloth and carts it about, seeking some one to whom he may sell it. This does approach the primitive—

the barbaric—method of doing this kind of business; and it is but fair to admit that under such circumstances there would be no trouble about dealings for future delivery. Such, however, as everyone knows, is not the case at present. The business of cotton planting, of cotton marketing, of cotton manufacturing, and of distribution of cotton goods is in each case a highly specialized industry, capable of engrossing all the enterprise, intelligence, and tact of any man, and as to which no prudent man wishes to undertake more than one at a time. In the case of the manufacturer, for example, the one thing with which he is conversant is manufacturing—the process by which, the cost at which, the time within which, given the material ready for his use, he can produce the cloth ready for sale. He does not know anything about cotton-raising. And it would be impossible for him to keep track of the relations between the supply and the demand of cotton, the development of transport and commercial facilities, and all the other data that are included within the province of the cotton dealer. He is equally unacquainted with the methods by which through wholesaler and jobber and retailer, in accord with the varying demands arising from varying conditions, his goods must be marketed to the ultimate consumer. What he does know, and the only thing it is safe for him to depend upon knowing, is the process of manufacture. The risks involved in this are the ones which it is his legitimate business to assume, for the precise reason that he appreciates and can handle them better than anybody else, so that what to anyone else would be a mere gambling venture is to him a business enterprise. How does he do this?

In general, as you know, the process is about as follows: The manufacturer is without capital except a small margin above that sufficient to enable him to run his factory. He goes to the factor at New York, Boston, or Philadelphia—the man who is specially versed in the methods of distribution of cotton goods. He consults with him as to the kind of goods for which there will probably be a good demand in the near future and as to the prices at which these goods can probably be marketed. He selects those as to which his experience suggests he can most surely make a profit, and thereupon contracts with his factor somewhat in this wise: The mill owner contracts to deliver to the factor, say, 10,000 pieces of goods per month for twelve months, commencing three months in the future, and the last delivery being fifteen months off. In turn, the factor contracts to advance funds to the mill owner from month to month at a rate not to exceed a certain rate per yard or per piece of the goods to be delivered, to market the whole product as advantageously as possible, and to render an account at certain dates, interest being charged and paid at a certain fixed and generally moderate rate. There is now left for the mill owner but one factor of anxious uncertainty in the situation. As to the manufacturing, he understands perfectly its different conditions, and as the price of cotton then rules, he knows there is a fair margin for safety and profit in the transaction. The price of cotton, however, may vary by 25 or 40 per cent in the course of the year. It is something which he is utterly powerless to influence.

After all these arrangements noted are made, he is still in a position in which, while a material reduction in the price of cotton may add greatly to his profit, a sharp rise in this price may bring certain ruin. Should he go on under these conditions his business is speculative, risky, illegitimate. There are just two ways in which he can avoid this: He can buy at once, by spot contract, the whole amount of cotton he will need for the next fifteen months, thereby necessitating the use of an enormous capital and excessive expense

for interest, storage, handling, and insurance; or, going into the market, he can buy cotton in such amounts as he shall estimate he will need for delivery month by month in the future. His experience has taught him that the grades which are near the standard grade vary with such exactness in proportion as does the price of that grade, that he need not concern himself as to the precise grade he wishes; but that by making a present contract for future delivery, month by month as he estimates he will need the cotton, of a sufficient quantity of a standard grade, he can, on any month when such contracts mature, secure any marketable grade above or below that standard by simply paying the difference, if what he wants is a better quantity than the standard, or by realizing the difference in case the cotton he wishes to use is of a poorer quality.

In other words, by the system of dealing in futures the cotton manufacturer is enabled to do his business with but a small proportion of the capital he would otherwise need, and to do it upon a profit margin much smaller than would be necessary if he was obliged either to take the gambling risk involved in waiting until he needed the cotton before he contracted for it, or, on the other hand, in keeping idle the money and meeting the expense involved in the purchase and holding of the enormous amount of cotton required. And I need not add that in proportion to the cheapness with which the manufacture can thus be carried on, the smallness of the margin which manufacturers are willing to accept, the inducements which are thus given manufacturers by relieving them from all risks except the one which they are specially qualified to undertake, is the manufacture of cotton encouraged, the margin between the cost of the product and the cost of the raw cotton cheapened, the consumption increased, and the demand for and the price of the planters' product increased.

To subject such deals to the provisions of this bill not merely involves a harassing trouble and expense, but—since there is no necessary contract relation between the deals in standard grade he has thus made for future delivery, and his actual purchases of special grade, when he comes to need them—the manufacturer would be subjected to all the pains and penalties provided by this bill for gambling transactions. The only alternatives would be such additional complexity in the bill, and the practice under it as would make it impracticable, or such evasion by a system of "washing" contracts as would tend to drive straightforward men out of the business.

"FIRM OFFERS"—WHEAT EXPORTS.

Take our great agricultural export trade—that upon which, to a greater extent than upon any other branch of our commerce, depends the prosperity of the great agricultural classes of the country. Take the item of wheat, which perhaps is more characteristic than any other, except cotton. American wheat and other products of the kind are marketed in Europe and throughout the world by a system known as "firm offers." That is to say, in the afternoon of each day on the Produce Exchange at New York, or the Board of Trade at Chicago, the American broker sends cable advices to each one of his foreign correspondents—sometimes hundreds in number and in every part of the civilized world, especially throughout Europe—naming the price at which he will contract to ship them wheat, corn, or other produce, provided the acceptance reaches him before the noon of the following day. The European correspondent neither knows nor cares about the conditions which will probably govern the course of prices in the next twenty-four hours. But he does know the conditions which affect the immediate demand for wheat or other produce in his

country or vicinity, or is in telegraphic communication with those who do know. The European dealer, therefore, calculating upon the basis of the offer made him, sends to his own customers throughout the province, or the country where his connections are, and offers to deliver them American produce at certain fixed rates in case their answer is given within a certain number of hours.

At the expiration of the time thus given each European correspondent knows whether he will be able to market at a profit the American produce that has been offered him at a fixed price; and before the close of business on the day succeeding that upon which the American broker has made his offer, there come back to him the acceptances from every part of the world of every man who, at the price named, cares to handle American produce. These acceptances are, of course, from but a comparatively small proportion of those to whom the offers were made. Advised of the amount he will be called upon to deliver, the American broker goes upon " 'change " and purchases to cover the sales thus made, and having made his offers according to the best information in a matter in which he is an expert, the average result is a net profit to him on the transaction. By this process, without the employment of any extraordinary amount of capital, without assuming any risk except the one which he is best qualfied to measure, and in return for the assumption of which he has named and received his compensation, the American broker has succeeded in offering at every spot in the entire world American wheat in competition with that from every other country.

If, however, he is not to be permitted thus to do business; if he is not to be permitted to sell wheat until he has bought it—for the sale is closed the moment the return telegram is received—this whole system of offering and marketing American produce must cease, except in so far as it shall be carried on by the few who are able and willing either to contract in advance for tenfold the amount of produce that they can possibly expect to market, and thereby tenfold increase their expense and risk, or who are willing to limit their offers to the few cases which would be possible if their aggregate is to be confined to the amount the American broker has contracted for. The result would be practically to stop the offering of the American produce in most of the markets in the world in anything like sharp competition with that from other countries, or so to increase the amount of capital required and the amount of risk involved as to require the exaction of a much larger margin between the price at which the firm offer is made and the price at which the produce can be purchased here. And as the former—the selling price abroad—is fixed by the level of the world's commerce, this would mean just so much lower prices to the American producer.

Mr. WILLIAMS of Mississippi. This bill does not do that.

Mr. WARNER. It is suggested by my friend [Mr. WILLIAMS of Mississippi] that the bill does not do that. It may be claimed that if the precise order is filled by the shipment of standard grade that the bill does not prevent that. But it must be remembered that every single one of these orders carried on in trade is negotiable; and when a Government contractor in Bristol, for example, wants to be sure that he will be able to get the wheat he does want at a price which will enable him to make a profit out of his contract, he buys No. 2 red wheat. And then, even though he does not want as good a quality, or even if he wants a better quality, he knows that when the time comes he can exchange or settle that contract in such a way as to secure without sacrifice just the quality he wants, the relation of the prices of the two grades being practically constant throughout the world. The case is the same

as with cotton. The penalties of this bill would prevent perfectly legitimate transactions.

Now, there is the trouble with the bill of my friend from Missouri. His intentions are all right; but he does not know what he is about. He assumes that he knows what we mean when we contract, and that if we do not do the precise thing he expects us to do we are committing a crime which, under appointment from heaven, it is his business to look out for and punish; whereas this is legitimate business; and in a great measure, although contracts for future delivery of cotton, as well as wheat, are in what is known as the standard brand, this is the way by which, indirectly as I have mentioned, not merely the standard brands and grades but the whole great product, of all grades, is marketed to the purchaser.

INDUCEMENT FOR TEMPORARY INVESTMENT.

I have attempted to illustrate but two of the numerous features of deals for future delivery, the conditions of which are inherent in the natural process of the marketing and use of our chief agricultural staples. There is another consideration which most substantially affects their price, and by which, not as a matter of original intent, but as a matter of beneficent result, the producer and consumer alike are greatly aided. Under the old system of spot deals in the products now largely handled by sales for future delivery, the investment in them—as is still the case with every product not dealt in by futures—tended to be limited to those who were specially conversant with the circumstances of their production and use, and had an extraordinary amount of capital at their disposal. As fast, however, as an article became one genrally quoted on the exchanges and extensively dealt in for future delivery it became an attractive object for temporary investment, which is what, I presume, is meant by my friend from Missouri when he talks about legitimate speculation. That any product may be attractive for temporary investment—i. e., for the use of the vast amount of floating capital that is waiting permanent investment, or kept in hand by its owner as a safety margin in case his more risky ventures fail—certain matters are essential. The product must be a well-known staple, so largely produced and so generally dealt in as to be familiar to the general public; and the conditions of its supply and use must be such as to make it reasonably sure that it has an actual worth independent of all probable risks which can be realized at any time without extraordinary trouble or sacrifice.

These conditions are most nearly met in the case of our great agricultural staple; and to the precise extent that facilities for information, transportation, and trade have been perfected, our food product has become more and more the normal investment for enormous amounts of capital that, until lately, were left idle in banks or confined to investments in Government funds. An important effect of this development has been, first, greatly to increase the number of investors and the amount of capital available for investment in farm produce, and thus somewhat to increase, and even more, to steady its price; and, second, to reduce the margin of expense for handling farm produce between the producer and the consumer, and thus benefit both.

As to the former, the advantage of more numerous purchasers and more capital for investment in a given product, I shall not assume any special explanation to be necessary.

On the second point, however, a word may be in order. So long as the dealing in produce is confined to those who have chosen it as their main business, the average profit which they expect must at least be as high as the ordinary interest upon capital, plus the re-

ward for whatever of risk is involved. Temporary investments, however, are made as an alternative for leaving capital idle; and therefore, provided the investment is one from which his capital can be easily and promptly withdrawn, the investor is willing to purchase the wheat or cotton involved on any terms which, on the average, will secure him a small fraction of the ordinary profits in his main enterprises. As a result of the presence, bidding for wheat to be delivered far in the future, of a vast amount of capital which will be satisfied on the average with profits at the rate of 2 or 3 per cent interest, the discount is lessened, that is, a higher price is offered to-day for the wheat which will be needed next December, than could be afforded by one who was making the purchase and sale of wheat simply his main business, and who therefore would insist upon discounting the expected future price to an extent which would give him 6 per cent or more interest as well as profits for his trouble. As a natural and desirable result, the great bulk of the ordinary business of handling and marketing the farm produce of the civilized world is done through the temporary investment of floating capital willing to serve its purposes at an interest from 3 per cent down to nothing, and eagerly competing for the chance to do so.

The difference, after deduction of all strictly transport and handling charges, between the old profit margin—which in former times used alike to reduce the price to the producer and increase it to the consumer—and that which obtains to-day is a practical illustration of the nature and extent of the universal benefit thus secured.

It may be urged that the great amount of business has of itself permitted a lower relative scale of charges and profit. But even this is, in its turn, directly attributable to the eagerness with which capital seeking temporary investment avails itself of the opportunities offered. If it is the result of this system—and it largely is so—that to-day there are five or ten purchases and sales of grain, including the great number made by those who have taken it only as a temporary investment, as compared with the far less number of those made in the main by special dealers a few years since, this simply measures the competition for employment of capital that has been the result of present methods, and indicates the inevitable lowering of interest and carrying charges that is the result of this competition. In short, the normal transfers and deals necessary between the farmer and the baker involve at the present day not more than one-half or one-fourth of the corresponding expense ten years ago—leaving actual transport charges entirely out of the question. This is the result of the fact that the competition of capital to invest in wheat is such as to quadruple, we will say, the amount of such business done, and therefore reduce the cost at which brokers can afford to do it.

The farmer is, therefore, directly benefited in the resulting cheapness with which his necessary business is transacted, while the extent of the competition for investment in that business measures the average reduction in the discount—greater for every month in the future—that will be made in naming a present price to the farmer from the probable worth of the wheat at the time when it shall be finally ground into flour.

Nor is this all. Such is the sanguine temperament of humanity that, in the case of any article thus made a natural subject of temporary investment, the tendency always is to offer more than conservatism would estimate as safe. It is a most striking and conclusive result of this that the New York market averages higher than the Liverpool market, and the Chicago market higher than the New York market, when cost of transport is considered—in other words, that

the temporary investors on the average lose their interest and pay part of the transportation to boot, so that the Western farmer or Southern planter gets just so much more for his wheat or cotton.

This feature—an advantage alike to the producer and consumer of wheat would be simply obliterated by such legislation as that now proposed. Not only does the fact that the investments are temporary, and that the same wheat is sold over and over again within a few months, multiply the obstruction and expense involved by the provisions of this bill; but it is a fact that frequently—though not nearly so often as claimed—it is convenient for all parties concerned to settle by paying differences. I presume my friend from Missouri will agree that if a bona fide temporary investor occasionally wants to back out of his contract he should be permitted to do so if he can arrange with the one to whom he is under obligation. But the trouble is that if he wishes to do so once in ten times the penalty provided by this bill will destroy his chances of profit on the whole ten deals, and the result will be that no one will have to do with business subjected to such intermeddling, except the few genuine gamblers, who will arrange to evade the law, as they can easily do if they are unscrupulous enough.

Mr. COX. You have demonstrated in your proposition that in order to send the wheat and the cotton to the consuming market, you bring into use the floating capital, and that makes it much more beneficial to the consumer.

Mr. WARNER. It makes the interest charge less.

Mr. COX. If that is true, what is the man to do that has to buy the actual cotton?

Mr. WARNER. I must confess that my friend has touched a perfectly pertinent point. The man who actually proposes to speculate in spot cotton has to make his money out of the lower price he can compel the producer to accept and the higher price he can compel the consumer to give; and he is the man who would be hurt by this bill.

Mr. COX. Then the man who buys the cotton and pays the money for it and gets the cotton is the fool in the transaction?

Mr. WARNER. It is actually the fact that most money made in the business of marketing cotton consists in the commissions which are received from sanguine gentlemen, who at the end find they have invested their money and transported the cotton without receiving much, if any, interest.

Mr. COX. So that the whole question depends on the imagination of the gentleman engaged in it?

Mr. WARNER. Not at all. It is the way in which our crops are marketed. It is not profitable to-day, as it used to be in former years, for a man to go out and try to corner and control the crops of a single neighborhood, or to try to control the supply of a certain number of factories. If he tries to pinch the producer and the consumer in that way, the system of deals for future delivery will pinch him between them, and give the producer a better price, at the same time that the consumer gets his supplies more cheaply.

Mr. WALKER. I think some gentlemen have failed to quite see that this transportation is done practically for nothing, that the crops of this country are handled practically for nothing.

Mr. WARNER. I should not put it quite as strongly as that. I think they are handled practically for nothing so far as the interest charge is concerned, and very frequently the competition of capital does pay a part of the transportation.

Mr. WALKER. It brings the consumer and the producer right together.

Mr. WARNER. Right together, at the expense of these middlemen about whom I have been talking.

Mr. TALBERT, of South Carolina. How do those men make their money, then?

Mr. WARNER. The records will show that of the thousands who do this great business and invest their money to move your crops from the different parts of this country to Europe nine-tenths of them lose money.

Mr. TALBERT, of South Carolina. They get rich all the same.

Mr. WARNER. I beg your pardon, they do not get rich. The brokers do well, who also at the same time are profited by the sanguine temperament of these gentlemen; but the man who, with the great competition of capital, actually goes to the Southern planters and buys their cotton and takes that cotton himself and tries to market it in Liverpool, paying all freight and charges, is the fool from whom his money will be soon parted; and I do not know of a man who has been crazy enough to do it lately.

Mr. COX. Is there not some way to protect him?

Mr. WARNER. This bill would do it. This bill would put the farmers at the mercy of the local factors, and it would put the factories under the thumb of men who will corner the spot cotton.

EXEMPTIONS PROPOSED.

I am aware that by a somewhat elaborate system of exemptions, my friend from Missouri believes himself to have left the capitalist opportunities for investment in every direction where it will help the farmer at the same time that he has cut him off from realization in every direction which is an inducement to capital. This is a marvelously astute plan—provided the capitalist is an ass and will walk into a hole for the farmer's benefit, knowing that he can never get out of it for his own. Until, however, there shall arise a new kind of fool—one who keeps his money until he lets the farmer fleece him—all such exceptions are simply ridiculous, and no capitalist will be attracted by legal permission to go into a speculation, by which somebody else will be assisted, at the same time that he is forbidden to get out of it in the way most likely to be of advantage to himself. If he can not sell or settle his futures as he pleases, he knows better than to buy them from the farmer or anyone else.

THE TEST OF EXPERIENCE.

No test of the pudding, however, is so conclusive as the taste, and nothing can be more conclusive than the tabulated experience of our principal markets under the development of the system of dealing in futures; and with one suggestion I shall quote the statistics I have lately had prepared. That suggestion is this: While the result is uniformly to demonstrate that so far from excessive dealings for future delivery being a detriment to the price of the products dealt in, the contrary is the result, and prices are actually found to be higher in proportion to the extent of such dealings in futures, I must not for a moment be understood to attribute to the extent to which futures are dealt in the whole of the more favorable market which coincided with the increase of such deals in futures. For, although the tendency of so systematizing a business as to make it attractive to a vast amount of capital that otherwise would be unavailable for its purposes is inevitably to cheapen the processes of such business and give better prices to the producer, yet in the long run the relations of supply and demand are the great determinant factors in the price of farm products, as in the case of everything else.

To a considerable extent, however, on account of the sanguine temperament that characterizes human nature, the extent of deals for future delivery is in a measure a consequence of high prices and

at the same time a stimulus to higher ones. No one appreciates more clearly than I do that, since every investment in wheat has its corresponding sale and every sale its corresponding investment, the effect, so far as concerns the mere balance of sales and investments, is rather to steady the price than to improve it, such enhancement as comes from these deals being due to the competition of capital thus induced and the cheapening of interest and other carrying charges thereby resulting.

I.

The first table which I quote shows the total sales on the New York Produce Exchange of wheat for future and spot delivery, with the range and average price of the contract grades for each month, monthly, for the past six years.

Total sales on the New York Produce Exchange of wheat for future and spot delivery, with the range and average price of the contract grades for each month, monthly, for the past six years.

Months.	Total sales of wheat futures and spot bushels.	No. 2 red winter wheat. Price per bushel.	
		Range for month.	Average for month.
1888.		*Cents.*	*Cents.*
January	66,561,000	$89\frac{1}{4}$ to $93\frac{5}{8}$	$91\frac{5}{16}$
February	76,167,000	88 $91\frac{3}{8}$	$89\frac{13}{16}$
March	96,038,000	$88\frac{1}{4}$ $93\frac{1}{4}$	$90\frac{3}{4}$
April	123,221,000	$88\frac{7}{8}$ $97\frac{1}{2}$	$93\frac{5}{16}$
May	171,833,200	91 103	$96\frac{7}{8}$
June	89,043,000	86 95	$90\frac{1}{4}$
July	125,226,000	$87\frac{1}{4}$ $98\frac{1}{2}$	$90\frac{11}{16}$
August	263,522,000	$91\frac{3}{4}$ $103\frac{3}{4}$	$97\frac{7}{16}$
September	157,868,100	97 $103\frac{1}{2}$	$99\frac{9}{16}$
October	224,505,200	104 121	$111\frac{15}{16}$
November	114,954,000	$100\frac{3}{8}$ 116	$108\frac{3}{4}$
December	49,203,000	$99\frac{1}{4}$ $108\frac{1}{8}$	$104\frac{7}{8}$
Total range and average	1,558,141,500	86 121	$97\frac{1}{8}$
1889.			
January	78,070,600	$93\frac{1}{4}$ to $104\frac{5}{8}$	$98\frac{9}{16}$
February	60,346,000	$93\frac{1}{2}$ $101\frac{3}{4}$	$97\frac{5}{8}$
March	176,626,300	$88\frac{1}{2}$ $99\frac{3}{8}$	$93\frac{1}{4}$
April	152,587,900	$82\frac{1}{4}$ $89\frac{13}{16}$	$86\frac{1}{16}$
May	53,700,150	80 $86\frac{1}{2}$	$83\frac{3}{16}$
June	146,761,150	$79\frac{3}{4}$ $88\frac{3}{8}$	$83\frac{11}{16}$
July	83,508,000	$85\frac{1}{4}$ $91\frac{5}{8}$	$88\frac{1}{4}$
August	34,821,500	84 $91\frac{1}{4}$	$88\frac{1}{8}$
September	65,160,000	$83\frac{1}{4}$ $88\frac{1}{4}$	$85\frac{1}{8}$
October	146,565,000	$81\frac{1}{2}$ 88	$84\frac{7}{8}$
November	66,435,000	$82\frac{1}{4}$ $86\frac{5}{8}$	$84\frac{7}{16}$
December	58,567,000	$83\frac{1}{2}$ $87\frac{5}{8}$	$85\frac{3}{4}$
Totals, range and average	1,123,148,600	$79\frac{3}{4}$ $104\frac{5}{8}$	$88\frac{1}{4}$
1890.			
January	52,531,000	$84\frac{9}{16}$ to $87\frac{1}{4}$	$86\frac{1}{8}$
February	80,024,000	$83\frac{13}{16}$ $87\frac{1}{2}$	$85\frac{1}{4}$
March	116,938,000	$86\frac{1}{4}$ $89\frac{1}{2}$	$87\frac{3}{4}$
April	245,139,000	$86\frac{11}{16}$ $98\frac{1}{4}$	$93\frac{3}{16}$
May	138,475,000	$93\frac{7}{8}$ $103\frac{1}{8}$	$98\frac{3}{4}$
June	66,547,000	$91\frac{3}{4}$ $96\frac{3}{4}$	$94\frac{1}{8}$
July	95,218,000	94 $100\frac{3}{8}$	$96\frac{3}{16}$
August	137,625,000	$94\frac{3}{4}$ $111\frac{1}{4}$	104
September	94,914,000	$99\frac{1}{2}$ $106\frac{1}{2}$	$101\frac{15}{16}$
October	76,435,000	$100\frac{3}{4}$ $109\frac{3}{8}$	$106\frac{1}{8}$
November	90,138,000	$96\frac{1}{8}$ $108\frac{3}{8}$	$102\frac{3}{4}$
December	44,343,000	$101\frac{3}{8}$ $106\frac{1}{2}$	$104\frac{1}{16}$
Totals, range and average	1,238,327,000	$83\frac{13}{16}$ $111\frac{1}{4}$	$96\frac{5}{8}$

Total sales on the New York Produce Exchange of wheat, etc.—Continued.

Months.	Total sales of wheat futures and spot bushels.	No 2 red winter wheat. Price per bushel.	
		Range for month.	Average for month.
1891.		*Cents.*	*Cents.*
January	53, 823, 000	$103\frac{1}{8}$ to $110\frac{1}{2}$	$105\frac{3}{4}$
February	71, 062, 000	$109\frac{1}{8}$ $112\frac{1}{8}$	$110\frac{1}{16}$
March	190, 305, 000	109 $118\frac{1}{4}$	$113\frac{5}{8}$
April	287, 597, 000	$114\frac{3}{4}$ $128\frac{7}{8}$	$119\frac{5}{16}$
May	218, 910, 000	$109\frac{1}{2}$ $117\frac{3}{4}$	$113\frac{7}{8}$
June	121, 202. 000	$102\frac{5}{8}$ 111	$107\frac{13}{16}$
July	124, 616, 000	$93\frac{1}{2}$ $106\frac{3}{4}$	$99\frac{7}{8}$
August	169. 732, 000	$97\frac{3}{4}$ 114	$105\frac{7}{8}$
September	118, 814, 000	100 $107\frac{1}{2}$	$103\frac{5}{16}$
October	146, 076, 000	102 107	$104\frac{1}{4}$
November	117, 424, 000	$103\frac{1}{2}$ 108	$105\frac{13}{16}$
December	72, 711, 000	103 $107\frac{5}{8}$	$105\frac{7}{16}$
Totals, range, and average	1, 692, 272, 000	$93\frac{1}{2}$ $128\frac{7}{8}$	108
1892.			
January	93, 997, 000	$99\frac{3}{4}$ to $105\frac{3}{4}$	$102\frac{3}{8}$
February	154, 577, 000	$99\frac{1}{2}$ $109\frac{3}{4}$	$104\frac{5}{8}$
March	142, 280, 000	96 107	101
April	190, 717, 000	$96\frac{3}{4}$ $102\frac{5}{8}$	$98\frac{1}{2}$
May	134, 954, 000	94 99	$96\frac{1}{2}$
June	85, 643, 000	$87\frac{7}{8}$ 100	$91\frac{13}{16}$
July	66, 637. 000	$82\frac{1}{2}$ $88\frac{5}{8}$	$86\frac{3}{16}$
August	63, 620, 000	$79\frac{3}{8}$ 85	$82\frac{1}{8}$
September	39, 604, 000	$77\frac{1}{4}$ $80\frac{1}{4}$	$78\frac{3}{4}$
October	72, 646, 000	$73\frac{1}{2}$ $80\frac{1}{4}$	$77\frac{13}{16}$
November	63, 661, 000	$73\frac{1}{2}$ $77\frac{7}{8}$	$75\frac{7}{8}$
December	43, 112, 000	74 79	$76\frac{1}{2}$
Totals, range and average	1,151, 448, 000	$73\frac{1}{2}$ $109\frac{3}{4}$	$89\frac{3}{8}$
1893.			
January	60, 765, 000	$77\frac{3}{4}$ to $82\frac{1}{4}$	$79\frac{1}{2}$
February	49, 551, 000	$76\frac{3}{4}$ $81\frac{3}{4}$	$79\frac{3}{16}$
March	99, 139, 000	$73\frac{3}{4}$ $79\frac{3}{8}$	$75\frac{7}{8}$
April	185, 882, 000	74 $78\frac{3}{4}$	$76\frac{3}{8}$
May	123, 408, 000	$74\frac{1}{2}$ $81\frac{1}{4}$	$77\frac{3}{8}$
June	145, 676, 000	$68\frac{1}{2}$ $76\frac{1}{4}$	$72\frac{1}{16}$
July	101, 844, 000	$64\frac{1}{2}$ $73\frac{1}{2}$	$71\frac{1}{16}$
August	65, 705, 000	$65\frac{5}{8}$ $79\frac{3}{4}$	68
September	38, 814, 000	$68\frac{1}{2}$ $74\frac{3}{8}$	$72\frac{1}{8}$
October	77, 013, 000	$65\frac{3}{4}$ 72	$69\frac{1}{8}$
November	74, 234, 000	$64\frac{3}{4}$ $68\frac{1}{2}$	$66\frac{5}{8}$
December	30, 434, 000	$64\frac{3}{4}$ 69	$67\frac{1}{8}$
Total range and average	1, 052, 465, 000	$64\frac{1}{2}$ 82	$72\frac{7}{8}$

The most summary consideration of this table makes it evident that prices and future dealings are directly proportioned to each other, *i. e.*, the more extensive the dealings in futures, the higher the price, and *vice versa*. Taking the summary for the several years, we have during 1888 sales of 1,560,000,000 bushels, including spot, at an average of $97\frac{1}{8}$ cents per bushel; in 1889, 1,123,000,000 bushels of sales, at an average of $88\frac{1}{4}$ cents; in 1890, an aggregate of 1,240,000,000 bushels, at an average of $96\frac{5}{8}$ cents; in 1891, an aggregate of 1,700,000,000 of sales, at an average of $1.08; in 1892, an aggregate of 1,150,000,000 of sales, at an average price of $89\frac{3}{8}$ cents; and in 1893 an aggregate of but 1,050,000,000 of sales, at an average of only $72\frac{7}{8}$ cents. In other words, the greater the extent of the so-called speculation in wheat, the higher its price, and vice versa.

II.

There is another way of looking at the same question, and without special introduction I present the following table:

Prices at New York and Liverpool for spot No. 2 red wheat. Ocean steam freights from New York to Liverpool. Total sales of wheat, spot and futures, at New York City. Total wheat crop of the United States. Ratio of aggregate sales to crop.

Crop year, July 1 to June 30.	Prices at New York of No. 2 red wheat (the standard grade) for spot delivery.				Prices at Liverpool for No. 2 red wheat, per bushel.			Ocean freights on wheat, per bushel, by steam, New York to Liverpool.			Total sales of wheat at New York, spot and future, for the crop year.	Wheat crop of the United States for the corresponding year, as estimated by the U. S. Department of Agriculture.	Ratio of sales at New York of futures and spot wheat to the wheat crop of the United States for the same crop year (times greater).
	Annual average price (crop year) per bushel.	Highest and lowest price actually sold for, with extreme range.			Highest and lowest prices quoted for spot delivery.			Highest monthly average.	Lowest monthly average.	Extreme range of monthly averages.			
		Highest spot price.	Lowest spot. price.	Extreme range for season.	Highest.	Lowest.	Extreme range for season.						
								d.	*d.*	*d.*	*Bushels.*	*Bushels.*	
1883-'84 ...	$\$1.10\frac{5}{16}$	$\$1.22\frac{1}{2}$	$\$0.96$	$\$0.26\frac{1}{2}$	$\$1.35\frac{5}{8}$	$\$1.09\frac{1}{4}$	$\$0.26\frac{3}{8}$	$4\frac{3}{4}$	$1\frac{7}{8}$	$2\frac{7}{8}$	1,322,888,000	421,086,000	$3\frac{1}{7}$
1884-'85 ...	$.92\frac{3}{8}$	$1.06\frac{1}{8}$	$.76$	$.30\frac{1}{8}$	1.14	$.93\frac{5}{8}$	$.20\frac{3}{8}$	$6\frac{1}{8}$	$2\frac{1}{2}$	$3\frac{5}{8}$	1,279,907,000	512,765,000	$2\frac{1}{2}$
1885-'86 ...	$.93\frac{3}{4}$	$1.04\frac{1}{4}$	$.82\frac{7}{8}$	$.21\frac{3}{8}$	$1.05\frac{5}{8}$	$.94\frac{3}{4}$	$.10\frac{7}{8}$	$4\frac{1}{4}$	$2\frac{3}{8}$	$1\frac{7}{8}$	1,376,397,000	357,112,000	$3\frac{3}{4}$
1886-'87 ...	$.90\frac{1}{8}$	1.07	$.81\frac{7}{8}$	$.25\frac{1}{8}$	1.11	$.93\frac{5}{8}$	$.17\frac{3}{8}$	$4\frac{3}{4}$	1	$3\frac{3}{4}$	1,794,961,000	457,218,000	$3\frac{7}{8}$
1887-'88 ...	$.88\frac{3}{16}$	1.03	$.78\frac{1}{2}$	$.24\frac{1}{2}$	$.99\frac{5}{8}$	$.85\frac{3}{4}$	$.13\frac{7}{8}$	$3\frac{1}{4}$	$0\frac{5}{8}$	$2\frac{7}{8}$	1,445,411,000	456,329,000	$3\frac{1}{8}$
1888-'89 ...	$.96\frac{5}{16}$	1.21	$.79\frac{3}{4}$	$.41\frac{1}{4}$	$1.18\frac{3}{4}$	$.91\frac{1}{4}$	$.27\frac{1}{2}$	$5\frac{1}{2}$	2	$3\frac{1}{2}$	1,603,369,090	415,868,000	$2\frac{7}{8}$
1889-'90 ...	$.89\frac{1}{4}$	$1.04\frac{1}{2}$	$.81\frac{1}{2}$	$.23$	$1.03\frac{1}{4}$	$.95\frac{3}{8}$	$.07\frac{7}{8}$	$5\frac{9}{16}$	$1\frac{7}{8}$	$3\frac{11}{16}$	1,154,710,000	490,560,000	$2\frac{3}{8}$
1890-'91 ...	$1.08\frac{13}{16}$	$1.30\frac{1}{2}$	$.95\frac{3}{8}$	$.25\frac{1}{8}$	1.26	$1.05\frac{5}{8}$	$.20\frac{3}{8}$	$3\frac{5}{8}$	$0\frac{3}{16}$	$3\frac{7}{16}$	1,481,575,000	399,262,000	$3\frac{5}{8}$
1891-'92 ...	$1.03\frac{1}{4}$	$1.15\frac{5}{8}$	$.90\frac{7}{8}$	$.24\frac{3}{4}$	$1.28\frac{3}{8}$	$.96$	$.32\frac{3}{8}$	$5\frac{3}{4}$	$1\frac{7}{8}$	$3\frac{7}{8}$	1,551,541,000	*a*611,780,000	*c*$2\frac{1}{2}$
1892-'93 ...	$.78\frac{1}{8}$	$.88\frac{5}{8}$	$.68\frac{1}{2}$	$.20\frac{1}{8}$	$.96\frac{5}{8}$	$.78\frac{5}{8}$	$.18\frac{5}{8}$	3	$1\frac{1}{4}$	$1\frac{3}{4}$	1,013,701,000	*a*515,949,000	*c*2
1893-'94 * ..	$.66\frac{7}{8}$	$.74\frac{3}{8}$	$.59\frac{5}{8}$	$.14\frac{3}{4}$	$.83\frac{1}{2}$	$.68\frac{1}{2}$	$.15$	$3\frac{9}{16}$	$2\frac{1}{8}$	$1\frac{7}{16}$	797,150,000	*b*396,131,725	*c*2

a Crops seriously underestimated, and now officially admitted to have been so. *b* Crop undoubtedly underestimated. *c* Ratios calculated upon the official estimates of the crops, which are undoubtedly much too small, making the apparent ratios of sales to crops too large. *d* About.
* First 10 months.

Unless I am mistaken as to the clear and conclusive character of this table, it needs but little explanation. The volume of trading in futures and cash wheat at New York has declined in the decade from three and one-seventh times the crop in 1883–'84 to two times, or actually less, in 1892–'93 and 1893–'94; that is, prices and volume of deals have decreased together.

Again the Liverpool market is usually lower than the New York market, freights and necessary charges being considered, and New York is likewise usually lower than the Chicago market, which is generally considered the home of speculative trading. Or to sum up the consequences of the excessive speculations in wheat, the cost of transporting wheat from Chicago to New York and from New York to Liverpool, and of the interests and charges involved in carrying it from the time it is received at Chicago until it is actually consumed, on an average of six months later, is so reduced by the competition of capital utilizing wheat futures as a temporary investment that the business is practically done for nothing, and the cost of all processes between the time when wheat reaches Chicago and the time when it is sold to an English miller is practically reduced to the cost of transportation alone, and the producer and consumer are alike benefited by being thus brought more nearly together and relieved from what otherwise must be the far greater charge of serving them both.

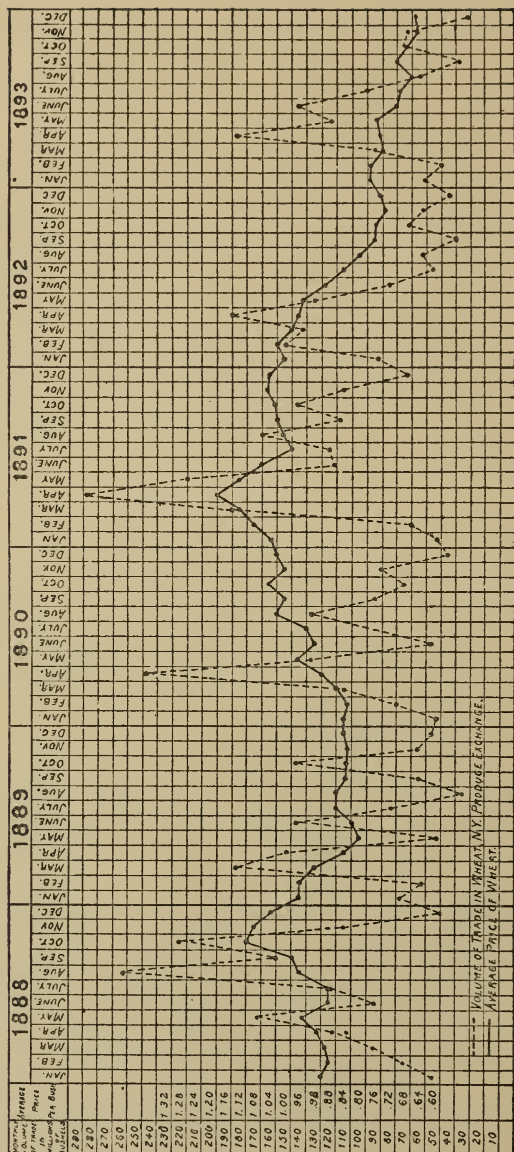
III.

In order to put upon record as well a clear exhibit of the business transacted, as to avoid the merging and thus losing even immaterial details in the figures of a general average, I shall add as an appendix to my remarks a table prepared by Mr. J. C. Brown, statistician of the New York Produce Exchange, to whom I am glad to acknowledge other indebtedness, showing the approximate sales on the New York Produce Exchange of contract wheat for future delivery for each month, and separately in each month for every other month, together with the monthly range and monthly average price of spot No. 2 red winter wheat, monthly during the same period from January 1, 1890, to June 1, 1894.

I am far from claiming that every figure in the appendix noted is significant upon the questions involved in this bill. Indeed, the one direction in which they are conclusive is as demonstration of the immateriality of such considerations when compared with the dominant one of the relation of general supply and demand, and the most important variance—that of temporary conditions of transportation.

To an extent, however, which I myself did not anticipate, I find that the apparent connection between the volume of sales and the price of wheat is not merely in the direction I have indicated—that is, toward the coincidence of extensive sales and high prices; but that this tendency is even more marked than I had supposed, and in this connection I submit the following diagram, showing in graphic proportion the comparative course of average prices and volume of business, including sales for future delivery (which indeed constitute its far larger portion) in wheat upon the New York Produce Exchange for the last six years. It needs no explanation. It appears there so plainly that he who runs may read—unless he runs away from it—that, generally speaking, in proportion to the activity in dealings in wheat as measured by the extent of the very business this bill is intended to hamper, is the price which makes its production a profitable one to our farmers of the Northwest.

CHART SHOWING MONTHLY VOLUME OF TRADE IN WHEAT AND AVERAGE PRICE OF NO. 2 RED WHEAT ON THE NEW YORK PRODUCE EXCHANGE.



IV.

So much for the general argument upon this point. It may be suggested, however, that it would be more conclusive should I take the conditions which, because they now prevail, are those at once most serious and most practical. If the bill introduced by my friend from Missouri is thus to be judged, damnation awaits it. The price of wheat for May of this year, the great delivery month in the Eastern markets, has ranged from 56 cents to 61⅞, averaging 58⅝ cents per bushel. The sales for delivery during the month of May, 1894, on the New York market were as follows:

Contracts made in—	Bushels.	Average price.
		Cents.
July, 1893	180,000	83½
August, 1893	910,000	83⅛
September, 1893	2,685,000	83¼
October, 1893	31,445,000	78⅛
November, 1893	37,090,000	73⅜
December, 1893	19,765,000	72⅝
January, 1894	29,690,000	70¼
February, 1894	83,820,000	65¾
March, 1894	68,185,000	63
April, 1894	51,555,000	63½
Total	325,325,000	68

From this it is plain that, so far from the bears last summer, autumn, and winter having beaten down the price of wheat by sales for future delivery, it was the bulls instead who, on their faith in wheat prices, invested in wheat futures an amount sufficient to carry our total stock of wheat on hand, at prices averaging about 9 cents above what it was worth during the month of May, and who have found themselves the losers to the extent of many millions of dollars on account of the fact that they had to pay during May, 1894, a far higher price for the wheat which they had bought months in advance than, when the price came to be settled by supply and demand in that month, the actual wheat was worth.

In other words, the farmer who took advantage of the market afforded last September by the system of sales for future delivery obtained 24 cents per bushel more for the wheat that would have been called for by actual demand in May than he who held it until May received for similar wheat, when the price was fixed by actual supply and demand. If he sold in October he received, under the same system, 19 cents more than though he had waited until May. If he sold in November his advantage was 15 cents; in December, 13 cents; in January, 11 cents; in February, 6½ cents; and even after holding it until March or April, if he then took advantage of this system, he would have received 3¾ cents per bushel more than the average price in May as settled by supply and demand.

Mr. TERRY. That was before we repealed the purchasing clause of the Sherman law.

Mr. WARNER. Wheat which was sold for future delivery near to the time of the repeal brought the highest price, much higher than when it was afterwards fixed by the law of supply and demand.

Mr. SIBLEY. What about those who got only 35 cents a bushel for their wheat?

Mr. WARNER. Where were they?

Mr. SIBLEY. They were in Tennessee, the constituents of the gentleman from Tennessee [Mr. Cox].

Mr. WARNER. They must have been waiting for this bill to pass.

Mr. SIBLEY. They have been waiting for something a long time.

Mr. WARNER. They ought to have sold their wheat last fall, for future delivery, when they would have gotten good prices.

And these figures develop another consideration, namely, that, instead of the dealings in futures fixing the price of spot wheat, it is, on the contrary, the growing certainty of the relation of supply and demand for any given date that, as that date draws nearer, determines the price at which futures then deliverable can be sold. The demonstration of our late experience is therefore absolute, first, that by the system of sales for future delivery the farmer has not been injured, but has been greatly advantaged as compared with what would have been his fate had he depended upon spot sales; and, second, that the price of spot wheat is really fixed by supply and demand, which, in its turn, as fast as its proportions develop, controls, and is not controlled by, the market for future delivery.

THE REAL CAUSE OF LATE LOW WHEAT PRICES.

But my friend from Missouri may remind me that the price of wheat is a serious and material matter, and may ask me to account for its serious decline during the past few years. I might retort by quoting from his own speeches and pointing to the price of silver and talking about Indian rupees and Indian exports. But I think he knows better than that now, as I certainly do. And knowing that it is supply and demand, and not rupee exchange or Hindoo proclivities, that govern the price of wheat—knowing, as I suspect he does, that so far from the decline in silver prices of late years having stimulated Indian exports of wheat, those exports have, on the average, been getting less and less instead of greater and greater, I simply quote here the statistics as to exports of wheat from British India, which show that the only year of late in which wheat exports have been as large as they were ten years agò was the year 1891–'92, when wheat was higher here than in any other year of late, and that exports of wheat from India have on the whole decreased since 1881.

Exports of wheat from British India, from official sources, expressed in bushels of 60 pounds, for the years (crop years) April 1 to March 31.

April 1 to March 31.	Wheat exported.	April 1 to March 31.	Wheat exported.
	Bushels.		*Bushels.*
1867–1868	558,852	1881–1882	37,148,543
1868–1869	514,231	1882–1883	26,495,024
1869–1870	145,988	1883–1884	39,202,636
1870–1871	463,908	1884–1885	29,588,311
1871–1872	1,189,251	1885–1886	39,312,969
1872–1873	735,485	1886–1887	41,588,235
1873–1874	3,277,781	1887–1888	25,271,249
1874–1875	2,004,156	1888–1889	32,872,151
1875–1876	4,686,767	1889–1890	25,758,551
1876–1877	10,428,327	1890–1891	26,754,103
1877–1878	11,896,580	1891–1892	56,573,043
1878–1879	1,972,544	1892–1893	27,950,445
1879–1880	4,109,495	1893–1894	22,520,000
1880–1881	13,896,167		

I have done what I am afraid my friend from Missouri has not done, looked about the world to see what was the explanation of the fall in price of American wheat. There are a number of causes, sir, but they may all be characterized by the one which I shall call to your special attention.

ARGENTINE WHEAT DEVELOPMENTS.

The Argentine Republic has of late been developed for agricultural purposes, especially wheat production, with a rapidity which is comparable only to the promptness with which, when her broad

lands were once opened to communication, Dakota became so important a factor in our own wheat supply. I append the statistics for the last twenty years, from which it appears that wheat exports from the Argentine Republic, starting at nothing in 1870 and not becoming constant in any degree until 1883, had risen to 18,000,000 bushels in 1892 and 39,000,000 bushels in 1893.

Exports of wheat, of flour, with total as wheat, from the Argentine Republic annually, from official sources.

Year.	Wheat (bushels of 60 pounds).	Flour (barrels of 196 pounds).	Total as wheat bushels (reckoning flour at 4½ bushels to a barrel).
1870	....	....	....
1871	294	180	1, 104
1872	625	2, 306	11, 002
1873	182	1, 371	6, 351
1874	13, 136	270	14, 351
1875	....	135	607
1876	766	3, 975	18, 653
1877	7, 334	2, 453	18, 372
1878	93. 601	32, 822	241, 300
1879	943, 176	18, 030	1, 024, 311
1880	42, 829	16, 009	114, 870
1881	5, 772	14, 481	70, 936
1882	62, 658	6, 173	90, 436
1883	2, 232, 329	54, 489	2, 477, 529
1884	3, 986, 623	42, 004	4, 175. 641
1885	2, 884, 109	83, 764	3, 261, 047
1886	1, 391, 265	59, 189	1, 657, 615
1887	8, 739, 987	60, 751	9, 013, 366
1888	6, 574, 431	71, 902	6, 897, 990
1889	837, 982	37, 803	1, 008, 095
1890	12, 047, 924	135, 177	12, 656, 221
1891	14, 534, 016	78, 909	14, 889, 106
1892	17, 273, 394	212. 014	18, 227, 457
1893*	37, 037, 280	427, 422	38, 960, 679

*Commercial reprint of Argentine official figures.

While the monthly bulletin for March, 1894, of the Bureau of American Republics estimates the exports for 1894 at 2,000,000 tons, or between 65,000,000 and 70,000,000 bushels.

The startling showing thus made of sudden and great increase in production is made more so by the data thus far received as to 1894. When I first made note of matter to be referred to on this discussion the Corn Trade News of May 14 was the latest number of that periodical showing wheat in transport. On page 1122 I find that there was at that date actually afloat *in transitu* between the Argentine Republic and Great Britain alone 1,500,000 quarters, or 12,000,000 bushels of wheat; and that there were also *in transitu* at the same time for continental ports 615,000 quarters, or 5,000,000 bushels; while the list of ships already chartered and yet to load was simply an appalling one. How great the entire shipment of wheat from the Argentine Republic to Great Britain and the continent will be during the present year is one which no prudent man will put below most extraordinary figures. All calculations have already been distanced, and not until the capabilities of the Argentine Republic and their rate of development have become more generally known than at present would it be safe to prophecy what is the future of wheat-growing in the United States. I am perfectly well aware that there is more than one consideration which may mitigate the result which now seems imminent. I suspect, indeed, that the unexpected increase of Argentine production may have so startled the business world as to have been more than discounted, and thus to

have made prices unremunerative even to Argentine producers. There is, however, nothing sure as yet. The situation can not be handled by any obstruction interposed by our Government to the most economical and natural methods of wheat marketing by those who are engaged in it here.

There never has been a good time—there never will be—to enact any such legislation as that proposed by this bill. It seems, however, like the irony of fate that it should be pending at just the moment when its uselessness has been most thoroughly demonstrated by the course of late events, and when the damage to be done by its enactment will be of most fatal consequence to American wheat-growers, who are now facing the most serious crisis by which they have ever been met. How desperate is the condition which this bill would further aggravate may be appreciated when I note that under date May 28, 1894, I am advised that grain room to Antwerp had been taken the week before at Baltimore for nothing; that is to say, that one of our great grain-exporting points found so little demand for a commerce which in former years so profitably filled every outgoing vessel as to bring many of them back in ballast, that the comparatively few vessels which have brought cargoes to her found no grain to be carried eastward, except what they were willing to take as ballast alone and without any charge whatever for freight.

I do not know, sir, that I ever felt much like getting very indignant at Nero because he fiddled when Rome was burning, because, if anything is well established historically, it is that he was a good fiddler, and I do not suppose his fiddling helped the conflagration. [Laughter.] But now, just at the very time when our export trade in produce is in the very worst peril it has ever experienced, when it seems essential that every scope should be given our traders to handle their business in the most economical and easy way possible—at such a time as this, for my friend from Missouri—who, although he may know something about fiddling, does not know anything about dealing in wheat or cotton—to come in and propose his intermeddling expedients in order to harrass and put to further expense the men who are already almost driven out of business, is almost too much to view with equanimity. I know he does not mean it; I know he would not do a bit of hurt intentionally; but, sir, his is the calm assurance of a baby trying to mend a watch, or an anarchist arranging to fix a government. [Laughter.] The only trouble is that the gentleman is of age, and we cannot deal with him according to our sympathies, but must do so with regard to the merits of the measure he proposes to father.

It would fatigue criticism, sir, to attempt any adequate exposé of this bill and of the depths of misinformation disclosed by the report which accompanies it. And I care now to call attention to but one further consideration in this line.

THE BILL ENCOURAGES "CORNERS," OBSTRUCTS LEGITIMATE BUSINESS, AND LEAVES GAMBLING UNTOUCHED.

Every great speculation in produce which has brought disaster either to the producer, the consumer, or the speculator has been made effective by the purchase and withholding from market of the actual produce involved. If this law forbade this, and its enforcement could prevent thus forestalling the necessaries of life and industry, and demoralizing the business dependent upon their consumption, there might be some excuse for it. So far, however, is the bill before us incapable of producing this effect that it does not even pretend to attempt it, but, leaving untouched every opportunity for this crime against civilization, proposes to discourage

capital from produce investments so as to make more easy and more disastrous the "cornering" of the actual product. The effect, therefore, is to discourage legitimate business and to lessen the amount of capital available for carrying the world's stock of produce, thereby facilitating speculation in it by those who shall actually attempt to forestall it, with the inevitable result, when the market breaks, of a time of lower prices than any which could otherwise have ruled.

The law, however, would be utterly ineffective to prevent gambling in farm produce. For the whole world is to-day a single market, and purchases are made from Chicago, at London, at Berlin, at Calcutta, as easily as they are at Duluth or New York. Legitimate business must be carried on and legitimate investments are made along well-defined limits of trade, and within comparatively narrow limits of locality. The gambler is indifferent as to the market in which he deals. The result, therefore, of the enactment into law of this bill would be to demoralize legitimate business in America. As to gambling, however, it would still be carried on by the same men in the same way, except that the nominal place of the fictitious sales and purchases would be London or Berlin instead of New York or Chicago—in the world's markets where the price of these products is fixed—and whence prices in America would be afflicted (if at all) precisely the same as though the fictitious sales were made here.

I have omitted, sir, to refer to the puerile devices by which it is attempted in the bill now pending to bring within the scope of this bill numerous classes of contracts which ordinarily would not be subject to the jurisdiction either of our Government or that of any of the States. I shall not assume that there is any member of this House to whom they will not upon reflection plainly appear to be the shams which they really are. I shall not dignify them by the notice involved in an argument against them. As a lawyer, however, I will summarily state—what will be concurred in, I believe, by every brother lawyer in this House—that no client of mine who is willing to do his business through foreign offices will ever be in the least degree troubled by them. When we shall all have become wonted to the methods I shall suggest he will be so little bothered by anything which my friend from Missouri has concocted that he will not have even unpleasant reason to remember his existence. But to the American citizen who must do his business here, I can offer no such guarantee.

CONSTITUTIONALITY.

As to the broad question of constitutionality, a similar reason would prompt me to let the obviously unconstitutional character of this legislation develop itself from the arguments of those who ventured to defend it. But, sir, I have another reason—and to me even a better one. The ends proposed and the means suggested are so far outside of what seems to me desirable and tolerable, that questions of technical constitutionality are of little moment. To one like myself, who has the little regard for the intent of this bill and the utter abhorrence of the means proposed that I entertain, it is worse than frivolous to urge in addition that it is unconstitutional. On the other hand, with anyone who, thoroughly understanding the scope of this measure, shall deliberately conclude its end to be laudable and its means proper, I do not care to discuss questions of constitutionality. There is no earthly reason in my mind why, bent upon such an errand, he should allow himself to be restrained by either law, morals, or common sense.

If there is any man, calling himself a Democrat, who, after fully understanding this bill, needs to consult the constitution or any

other document in order to know whether he shall favor it or not, then, sir, either he or I is in the wrong party.

The bill is simply a meddling one. If enacted into law, it would be worse than worthless for the aims it professes and which, in simple charity, are all those which I attribute to the conscious intent of those who promote it. It is so outrageous that if enacted it must promptly produce such a revulsion as shall blot it from the statute books. Were it a Republican measure, I should have it photographed and exhibited as a horrible example of the consummate folly of blind paternalism. As it is, I can only appeal to those of my Democratic friends who may have the least intention of supporting it, to keep on studying it until they are sure they understand it. This being done, not merely is the measure before us foredoomed, but the disgrace of even the presentation of another of its character ever averted from our party.

The chairman of the committee reporting it has admitted that the bill is an attempt to interfere with what he concedes to be legitimate business in order virtually to apply Federal criminal law to a matter which he confesses is none of the business of the United States Government. And in order to dodge the Constitution, he proposes another evasion; and under the assumption that this subject belongs to the Committee on Agriculture, brings in a revenue bill, and interferes by an unconstitutional use of the taxing power.

It seems to me, sir, that as representatives of the various sections of this country, we should not merely avoid interference with the legitimate business of citizens, but that, as Congressmen of the United States of America, we should confine the exercise of our functions within that range of both criminal and civil law that is confided to our jurisdiction. As Democrats we should remember that the welfare of this country demands less rather than more of Federal interference; that we come here not to extend paternalism but to abolish it; and that our office is rather to repeal bad laws than to make worse ones. [Loud applause.]

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